

September 19, 2000

Mr. Les Boles
Office of the State Budget
1122 Lady Street, 12th. Floor
Columbia, SC 29201

Dear Les:

Enclosed is the Accountability Report for the SC Higher Education Tuition Grants Commission (H06) for the 1999-2000 fiscal year.

The mission, objectives, and performance measures of the SC Tuition Grants Program are fairly consistent from year-to-year and are directly related to the funding level of the program by the State Legislature (i.e. the more funds appropriated, the more awards can be made).

Details of the program mission, program objectives, performance measures, leadership system, and customer focus and satisfaction are included within this report. Should you have any questions, please contact the following person:

Edward M. Shannon, III
Executive Director
SC Higher Education Tuition Grants Commission
101 Business Park Boulevard, Suite 2100
Columbia, SC 29203

Sincerely,

Edward M. Shannon, III

S.C. TUITION GRANTS COMMISSION (H06)

1999-2000 Accountability Report

Executive Summary

The SC Tuition Grants Program is a “need-based” grants program that was enacted in 1970 by the SC General Assembly as a tuition equalization program to give South Carolina students the choice of attending a SC independent college. Not only does the grants program give South Carolina students the choice of attending the college that best meets their academic needs, it also saves the State of South Carolina millions of dollars each year. The savings result from attracting SC students into the SC independent college sector, thereby saving the automatic per student state tax subsidy that goes to all students attending SC public colleges regardless of financial need. The per student state subsidy averaged \$6,561 in the 1999-2000 fiscal year.

The SC Tuition Grants Program is funded solely by state appropriation with the exception of approximately \$276,304 that is received through the federal LEAP/SLEAP matching grant program.

The clients of the SC Tuition Grants Program are the students of South Carolina and their families, the 20 SC independent colleges participating in the grants program, all of the high schools located throughout the state, the members of the SC General Assembly, and the various state agencies overseeing the operation of a state program. The SC Tuition Grants Commission comes into contact with all of these constituents throughout the normal operating cycle of a fiscal year.

The day-to-day operation of the SC Tuition Grants Program includes the following:

1) Processing over 20,000 applications that are received each year for SC Tuition Grant assistance; 2) Analyzing all applications for “financial need” using the federal methodology approved by Congress; 3) Notifying the students and their colleges of the grant eligibilities; 4) Disbursing the grant funds to the students at their colleges once “full-time” enrollment status is confirmed; 5) Issuing various reports to the participating independent colleges in regard to grant eligibilities of their SC students; 6) Getting information about the SC Tuition Grants Program out to the general public, the SC high schools, and the guidance counselors; 7) Communication and coordination with the State Treasurer’s Office, the Comptroller General’s Office, the State Auditor’s Office, the State Budget Division, the Governor’s Office, the SC General Assembly and its various committees, and all other state agencies involved with administering a state program.

The SC Tuition Grants Program is a sound investment for the State of South Carolina. The SC independent colleges attended by these students have total operating budgets of over 350 million and combined capital assets (physical plants and endowments) of over one billion dollars. Thus, the state’s base investment of \$22.871 million in the SC Tuition Grants Program supports a \$1.35 billion industry. Although the SC Tuition Grants Program receives only 3% of the total state dollars going to higher education, SC independent colleges educate 18% of our state’s students, graduate nearly 30% of the degree recipients each year, provide 40% of our state’s teachers, and nearly 50% of our state minority teachers.

The various and detailed accountability and performance measures as related to the SC Tuition Grants Program are featured in the following section of this report.

ANNUAL ACCOUNTABILITY REPORT

Fiscal Year 1999-2000

SC HIGHER EDUCATION TUITION GRANTS COMMISSION (H06)

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Edward M. Shannon, III, Agency Director

9/18/2000

MISSION STATEMENT

The mission of the South Carolina Higher Education Tuition Grants Commission is to administer a state-funded, need-based tuition grants program(s) for the State of South Carolina to assist eligible South Carolina residents with demonstrated financial need attend certain in-state, accredited independent colleges on a full-time enrollment basis.

By providing need-based tuition grants to these students, the State of South Carolina gains maximum usage from the available independent higher education facilities located throughout South Carolina, assists in the education of our state citizenry by helping offset for our state residents the cost of attending certain in-state, independent colleges just as the State offsets the cost of our state residents attending South Carolina public colleges, helps to preserve the dual system of public and independent college higher education in South Carolina which provides healthy competition between the public and independent colleges, saves the State of South Carolina millions of tax dollars annually by attracting students into the independent college sector thereby saving the automatic per student state subsidy that goes to all South Carolina public college students regardless of their financial need, and gives South Carolina residents the choice of attending a public or an independent college and allows them to make their college-choice decision based on their academic needs rather than solely on the cost of the institution.

PROGRAM GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

PROGRAM NAME:

Higher Education Tuition Grants

PROGRAM GOAL:

To provide financial assistance in the form of need-based state tuition grants to qualified South Carolina residents electing to attend on a full-time basis certain SACS accredited South Carolina independent junior and senior colleges.

PROGRAM OBJECTIVES:

- 1) To gain maximum usage from the available independent college facilities located in South Carolina; and,
- 2) To help our state residents offset the cost of attending certain accredited South Carolina independent colleges, just as the state offsets the cost of attending South Carolina public colleges for our state residents; and,
- 3) To preserve the dual system of public and independent college higher education in South Carolina; and,
- 4) To save the State of South Carolina tax dollars by attracting South Carolina residents into the SC independent college sector, thereby saving the automatic per student state subsidy that goes to every student attending a SC public college regardless of financial need; and,
- 5) To give South Carolina residents the opportunity to choose their college based on their academic needs rather than solely on the cost of the institution.

PERFORMANCE MEASURES:

1) The total of FTE positions at the SC Tuition Grants Commission was reduced through attrition from 7 to 5 full-time positions in 1990. The agency now uses the services of the federal central computer application processing center, which is provided at no cost to state agencies. The reduction in the number of full-time employees saved the salaries and the fringe benefits being paid to these former employees. The five full-time employees worked 9,750 hours in 1999-2000 with duties related to the 20,185 SC Tuition Grant applications received. This averages about .48 employee-hours per application.

2) Of the total state dollars appropriated for the SC Tuition Grants Program in 1999-2000, only 1.35% of the budget goes into program administration with the remaining 98.65% of the state funds being awarded to SC students in the form of need-based state tuition grants.

3) In a survey of SC Tuition Grant recipients, 80% indicated that without the assistance they would have been unable to attend the SC independent college that provided the best academic curriculum for their needs. Most of these students would have enrolled in the SC public college sector at a greater cost to the State of South Carolina and many of them would not have gone to college at all.

4) Since the creation of the SC Tuition Grants Program in 1970, 208,388 tuition grants have been made assisting South Carolina students to attend the independent colleges of their choice.

5) The SC Tuition Grants Program has opened the door of educational opportunity to thousands of South Carolina residents through the availability of 20 South Carolina independent colleges approved to participate in the program. All colleges are non-profit and are required by state statute to be fully accredited by the Southern Association of Colleges and Schools (SACS). The number of participating colleges has increased from three (3) initially to twenty (20) in the FY 1999-2000 award year. These institutions are geographically located in every region of South Carolina and are conveniently available to commuter students living in all areas of the state.

6) In 1999-2000, the SC Tuition Grants Commission processed 20,185 applications for SC Tuition Grants assistance. Each application was reviewed for financial need and all eligibles received award notices and upon full-time enrollment State of South Carolina checks for the amount of their semester eligibility. In the 1999-2000 award year, the SC Tuition Grants Commission provided tuition grants to 9,908 eligible SC students. The average grant was \$2,317, which covered an average of 20.88% of the tuition cost of attending a SC independent college, which averaged \$11,093 for the 1999-2000 year.

7) The SC Tuition Grant is a need-based grant and, unlike the automatic per student state subsidy going to all students attending SC public colleges regardless of financial need, not all SC independent college students qualify for assistance from the SC Tuition Grants Program. In 1999-2000, the average of state dollars going to the 15,633 SC residents attending the twenty SC

independent colleges was \$1,471. When compared to the \$6,561 average per student state subsidy that automatically goes to all students in the SC public college sector, there is a \$5,090 per student savings to the State of South Carolina for every SC resident attracted into the SC independent college sector. When considered on the program level, there is a \$79.6 million annual savings to the State of South Carolina resulting from the SC Tuition Grants Program. This does not include the additional state dollars that would be needed to build classrooms and dormitories and to hire additional faculty members in the event that all SC independent college students were to migrate into the SC public college sector. It also does not include dollars going to public colleges in the form of revenue bond issues.

8) In the 1950s, over 50% of South Carolina's college students were educated at independent colleges in South Carolina. By the late 1960s, this percentage had eroded to fewer than 20%. Since the creation of the SC Tuition Grants Program in 1970, the percentage has stabilized at approximately 18% and has remained close to that level for a number of years. There is no doubt that the SC Tuition Grants Program has been effective in preserving the dual system of public and independent college higher education in South Carolina, a system that through healthy competition works for the betterment of both higher education segments in our state.

9) Beginning in the 1994-95 award year, the SC Tuition Grants Commission discontinued the use of a separate SC Tuition Grant application and instead began using the free federal application for Title IV Federal Student assistance as the application for a SC Tuition Grant. This allows all SC students to apply for state assistance through the completion of one federal application that is provided free-of-charge. The SC Tuition Grants Commission is able to electronically draw down the needed applicant data from the federal central processor and compute SC Tuition Grant eligibility. This change saves the SCTG Commission thousands of dollars annually by not having to print a separate application and also increased the efficiency and effectiveness of the commission in determining financial need of the applicants and notifying the students of their SC Tuition Grant eligibility.

10) Of the 15,633 full-time SC resident students attending the 20 participating independent colleges, 9,908 of them (63.5%) received SC Tuition Grants in 1999-2000.

11) The \$22.872 million state appropriation for the SC Tuition Grants Program in 1999-2000 represents about 3% of the state's total support of higher education. With this 3% investment, SC independent colleges educate 18% of the college and university students in our state, graduate nearly 30% of the degree recipients each year, provide 40% of our state's teachers, and nearly 50% of our state's minority teachers.

12) The total operating budgets of the 20 independent colleges participating in the SC Tuition Grants Program exceeds \$350 million annually.

13) The combined capital assets (physical plants and endowments) of the 20 participating SC independent colleges total over ONE BILLION DOLLARS. Thus, the state's \$22.871 million investment supports a \$1.35 BILLION industry.

14) Our research indicates that on average 42% of the SC tuition grant recipients graduate within four years, ranging from a low of 20% at one SC independent college to a high of 75% at another SC independent college. In comparison, the 4-year graduation rate in the SC public college sector averages 30%, from a low of 9 percent at one SC public college to a high of 59% at another SC public college. There is no doubt that the 4-year limitation of receiving SC Tuition Grant assistance is a powerful incentive to our South Carolina resident students to complete their degrees within four years.

15) In January, 1997, the Commission made a computer system change from an NCR 10000 Model 35 mainframe to a PC-based network. This system conversion has been very beneficial to the Commission's overall operation.

An immediate benefit of the new computer system was to enable the Commission to store data for multiple years on the system. With the mainframe, storage space was limited to one year's data. Any prior year data was stored on tape cartridges. If information needed to be retrieved from a prior year, the Commission's Computer Manager would have to back-up all current year data to a tape cartridge, then download the prior year data from that year's tape cartridge. After performing the data retrieval, the prior year data was recopied to the tape cartridge. Then the current year data was reloaded to the system. This was extremely inefficient. The current PC-based system, using better technologies and software, stores more than 24 times the data and enables multiple years to be accessed simultaneously.

Another benefit of the PC-based system has been to enable the Commission to become more efficient in the processing of applications and reports. The mainframe system operated at an approximate speed of 20 MHz. The new server operates at 600 MHz with 128 mb RAM which increases processing speeds significantly. This has allowed the Commission to process reports as much as 10 days faster and to send award notification letters to grant recipients three to eight days sooner. Also, because of the increased speed of the new computer, applicant data is now drawn down from the federal processor daily instead of weekly.

The Commission's primary customers are the students who receive SC Tuition Grants. The Commission's secondary customers are the college financial aid offices who conduct verification of eligibility for grant recipients attending their colleges. They are responsible, in conjunction with the campus Business Office, to insure that state grant funds checks are correctly credited to student accounts. To accomplish this the Commission communicates several different reports on a regular basis to the financial aid offices of the twenty eligible participating colleges. Using the mainframe system, these sometimes lengthy reports were printed out and mailed to the colleges. This was an inefficient and costly process in time, paper, and postage. The colleges would then data enter information to their computer systems by hand. The introduction of the PC-server initially enabled the Commission to convert reports to computer diskettes for transmission to the colleges. The more technologically-advanced colleges could download the data to their systems saving data entry time and potential errors. Colleges not so advanced could still load the information to a computer spreadsheet and review the information and then print it out if they so desired. Beginning in March, 1998, the Commission moved to providing reports to colleges electronically. Through password-protected electronic access, colleges received reports immediately without waiting for a diskette in the mail. Beginning in the Fall of 1998, colleges

were able to return data electronically to the Commission. This expedited the correction of student information, prevented errors associated with manual data entry, and increased processing time for the disbursement of grant funds to student recipients.

Beginning in the 1999-2000 award year, the commission converted to using The Internet to send and receive applicant data to and from the participating colleges by way of e-mail attachments. Necessary reports and college access to student applicant information via the Internet have significantly increased the efficiency and effectiveness in administering the SC Tuition Grants Program.

Customer satisfaction is high with regard to the changes brought about by the Commission's computer system conversion. The changes have not only impacted effectiveness and efficiency for the agency but for the customer as well.

16) Beginning in July, 1996, the Commission changed from sending individual checks for each recipient of a SC Tuition Grant to a single check for all recipients at a specific college. A roster of recipients is sent to the colleges with the single check enabling the college to correctly disburse the grants to the eligible students.

An immediate benefit of the changeover was the reduction in checks being printed by the State Treasurer's Office. During the last fiscal year when individual checks were issued, the state produced 18,639 individual checks for disbursement to 9,908 students. During the 1999-2000 fiscal year, the state produced just 101 checks for 9,908 grant recipients.

Another benefit in the reduction in checks was enabling the cumbersome and lengthy disbursement process to become streamlined. Previously, the Commission was required to verify each of the 18,639 checks upon receiving them from the State Treasurer's Office, forward each batch of checks to the colleges for individual disbursements to students, and then each student was required to come to the college Business Office and endorse his/her check for deposit into their student account. The college was also required to have each student sign a master roster to be returned to the Commission within 30 days. If a student failed to endorse his/her check within the required timeframe the college would have to return the check to the Commission, even if the student was enrolled and entitled to the grant. Quite often when this happened, the Commission would have the check cancelled and then have to turn around and have the State Treasurer's Office reissue the check.

The reduction in checks has also required far less follow-up by the Commission for the receipt of properly executed rosters from the colleges. During the last year of individual grant checks the Commission was required to follow-up 49 times to obtain correct paperwork and rosters from the colleges. In 1999-2000 under the new system, the Commission was required to make just one contact with colleges for correctly executed documents.

Another benefit of the new single check disbursement system has been to enable the Commission to save money in mailing expenses. Previously, the Commission would send the large quantity of checks via Express Mail to insure correct and prompt delivery of a large package. With a single check, regular first-class mail is sufficient.

The Commission's primary customers are the students who receive Tuition Grants. With single checks, which are credited directly to student accounts by the colleges, students are not required to make special visits to the Business Office and are able to have their grant funds available much quicker via their student accounts. Additionally, students are no longer put in a position to wait for a check to be reissued. Services to students are significantly more efficient and customer satisfaction is far better.

The Commission's secondary customers are the colleges who are required to complete paperwork to ensure accurate delivery of state grant funds to the grant recipients attending their colleges. The new single check disbursement system has allowed the colleges to be much more efficient and effective in disbursing Tuition Grants checks to students on their campuses.

Customer satisfaction is high with regard to the changes brought about by the Commission's change to a single check disbursement. All parties involved have benefited: the state, the primary customers, and the secondary customers.

LEADERSHIP SYSTEM

The SC Tuition Grants Commission is the nine-person governing body over the SC Tuition Grants Program. The make-up of the commission is set by statute. The commission consists of college presidents from the twenty participating colleges that rotate, by lot, on and off of the commission under a prescribed rotation. The commission, under the basic guidelines set in state statute 59-113, sets the program policies used in the administration of the SC Tuition Grants Program. The SC Tuition Grants Commission reports solely to the SC General Assembly.

The Executive Director of the SC Tuition Grants Commission reports directly to the SC Tuition Grants Commission and executes the policies and procedures enacted by the commission. The Executive Director plans and coordinates the three annual meetings of the commission and provides the research and data needed by the commission to set the policies and procedures to administer the program each year.

The Executive Director also works with the Governors Office, the State Budget Office, the General Assembly members, and the staff of the various committees and subcommittees of the House and the Senate to communicate the funding needs of the SC Tuition Grants Program.

CUSTOMER FOCUS AND SATISFACTION

The SC students that are interested in attending a SC independent college, their parents, the twenty colleges that participate in the SC Tuition Grants Program, and the SC high schools are the customers of the SC Tuition Grants Program.

The satisfaction of the customers is directly related to the following factors:

- 1) Funding of the SC Tuition Grants Program by the SC General Assembly;
- 2) How many students are awarded each year;
- 3) The size of the awards received by the students;
- 4) The timeliness that students are notified about their grant eligibilities;
- 5) What kind of job the commission does in getting the word out about the SC Tuition Grants Program to the high schools and students;
- 6) How quickly the grant funds are dispursed to the students once enrolled full-time at a SC independent college;
- 7) How quickly eligibility appeals to the commission are handled.

The SC Tuition Grants Commission staff focuses highly on customer satisfaction. Details of the efforts are further described in the attached accountability report.